

2013 BUDGET LEGISLATION FISCAL NOTE

| Department: | Contact Person/Phone: | CBO Analyst/Phone: |
|-------------------------------------|------------------------------|-----------------------------|
| Finance and Administrative Services | Dave Seavey 684-0917 | Jennifer Devore 615-1328 |

Legislation Title:

AN ORDINANCE relating to fleet services, authorizing the transfer to King County of certain vehicles leased from the City by Public Health - Seattle and King County; establishing the method for determining the value of the vehicles to be transferred; authorizing the Director of Finance and Administrative Services to execute an agreement with King County in order to complete the associated transition, including refunding County funds that were originally intended to replace the vehicles being transferred, compensating the City for those vehicle assets, transferring said vehicles; and ratifying and confirming certain prior acts.

Summary of the Legislation:

This legislation authorizes the Director of Finance and Administrative Services to transfer to King County 198 City-owned vehicles currently leased by Public Health - Seattle and King County (Public Health), retain the agreed-upon amount of compensation the City shall receive from the County in exchange for the vehicles, and refund to the County the remaining portion its capital replacement reserve that were not used to replace Public Health vehicles as originally intended.

Background:

For many years, the City has managed Public Health's fleet. As compensation, the City has collected lease payments that include a maintenance component as well as a capital component that is dedicated to replacing vehicles at the end of their useful lives. In 2011, the County asked the City to place a moratorium on replacing its Public Health vehicles as a budget measure, and earlier this year notified the City of its intent to assume full responsibility for the entire Public Health fleet. Because of prior year vehicle reductions and the City only replacing four damaged Public Health vehicles in the last two years, a healthy fund balance has accumulated in the County's capital replacement fund. The attached proposed Bill will transfer to the County 198 vehicles and an estimated \$1.46 million in cash, leaving the City to retain approximately \$562,032 as compensation for the transferred vehicles.

Please check one of the following:

☐ This legislation does not have any financial implications.

☒ This legislation has financial implications.

Summary of Changes to Revenue Generated Specifically from this Legislation:

| | Revenue Source | 2013 Proposed | 2014 Endorsed |
|--|----------------|---------------|---------------|
| | | | |
| Total Fees and Charges Resulting From Passage of This Ordinance | | | |

Revenue Change Notes: One-time proceeds from the transfer of 198 City-owned vehicles to the County are based on the proposed distribution outlined in Attachment A. After refunding the County's portion of its capital replacement funds, FAS' Subfund 50320 will absorb the remaining \$562,031 as compensation for the transferred vehicles into the fund balance.

Anticipated Total Revenue from Entire Program, Including Changes Resulting from this Legislation:

| Fund Name and Number | Revenue Source | Total 2013 Revenue | Total 2014 Revenue |
|--|----------------|--------------------|--------------------|
| Fleets and Facilities subfund of the Department of Finance and Administrative Services subfund 50320 | | | |
| TOTAL | | | |

Total Revenue Notes: The capital vehicle replacement funds associated with this legislation have been accumulating and held in trust for the County and, as a result, were not considered to be revenue. Therefore, the transaction will be noted by Accounting Services staff on the City's balance sheet, but will not affect the budget.

Other Implications:

- a) Does the legislation have indirect financial implications, or long-term implications?
Other than the one-time absorption of proceeds in FAS' fund balance from the transfer of the vehicles, this legislation does not directly affect FAS' budget. As mentioned above, the replacement funds have been accumulating and held in trust for the County. As budget authority is only granted for actual expenditures on vehicles and equipment, and not on the accumulation of funds, this transaction will be noted by Accounting Services staff on the City's balance sheet, but will not affect the budget. The reduction of 198 King County Health vehicles from the City's centralized fleet represents less than 5% of the fleet's total unit count. A large majority of costs (fuel, vehicle purchases, etc.,) are pass-through expenses. Fixed costs for operating the fleet will not decrease as a result of this legislation and the net effect will be reallocated to the remaining City customers

through the rate-setting process. There is no reduction in FTE as auto mechanics work to absorb the existing backlog of maintenance and repair work in an attempt to meet the existing demand.

b. What is the financial cost of not implementing this legislation? If the legislation is not implemented, the City will be unable to legally transfer the 198 vehicles or refund its capital replacement funds held in trust.

c. Does this legislation affect any departments besides the originating department? See the answer to question “a” above

d. What are the possible alternatives to the legislation that could achieve the same or similar objectives? There are no alternatives to this legislation that could achieve the same or similar results.

e. Is the legislation subject to public hearing requirements? No.

f. Other Issues:

Please list attachments to the fiscal note below:

Attachment A - Proposed Distribution of Public Health - Seattle and King County Capital Replacement Reserve

Attachment A - Proposed Distribution of Public Health - Seattle and King County Capital Replacement Reserve

The Public Health - Seattle and King County (Public Health) capital replacement reserve is the result of accumulated payments for the purpose of replacing equipment. A combination of prior year vehicle reductions and Public Health only replacing four vehicles in the last two years, has resulted in a healthy fund balance for Public Health. Provided the current quasi-moratorium of not replacing equipment in 2012 remains in effect, Public Health’s capital replacement reserve is estimated to be as shown in the chart below. The proposed distribution methodology is also outlined in the chart. The calculation will be updated after January 31, 2013, or when all 2012 City accounting records are available.

1. Distribute the 12/31/10 balance of \$1,124,063 as follows:
 - a. Allocate \$562,031 (50% of the balance) to the City as compensation for transferring ownership of 198 vehicles to the County;
 - b. Refund \$562,032 (the remaining 50% of the balance) to the County.
2. Refund \$899,426, which is the net of 2011 and 2012 activity, to the County.

| Proposed Distribution of King County's Equity in Capital Replacement Reserve | | | | | |
|--|---------------------------|--|-------------------------------|---------------------------|---------------------------|
| | KC's Activity in Reserve | | Proposed Reserve Distribution | | |
| | | | City | County | Total |
| <i>Balance of as 12/31/10</i> | <i>\$1,124,063</i> | | <i>\$562,031</i> | <i>\$562,032</i> | <i>\$1,124,063</i> |
| | | | | | |
| 2011 KC County Contributions | 535,671 | | | | |
| 2011 KC County Expenditures | (23,168) | | | | |
| 2012 KC County Contributions | 474,013 | | | | |
| 2012 KC County Expenditures | (87,090) | | | | |
| <i>Subtotal 2011 & 2012 Activity</i> | <i>899,426</i> | | <i>0</i> | <i>899,426</i> | <i>899,426</i> |
| | | | | | - |
| <i>Estimated Balance as of 12/31/12</i> | <i>\$2,023,489</i> | | <i>\$562,031</i> | <i>\$1,461,458</i> | <i>\$2,023,489</i> |